

Message Text

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PAGE 01 SEOUL 02725 040827Z
ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-01 PA-01 DOE-15 SOE-02 /113 W
-----097627 042307Z /15

R 040810Z APR 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 265
INFO AMEMBASSY TOKYO
AMCONSUL HONG KONG

C O N F I D E N T I A L SEOUL 2725

HONG KONG FOR REGFINATT

E.O. 11652: GDS
TAGS: EFIN, KS, US
SUBJECT: DECLINING U.S. DOLLAR PROMPTS ROKG MEASURES

REF: SEOUL 2181

1. REFTEL REPORTED RECENT STEPS TAKEN BY KOREAN GOVERNMENT
TO REDUCE PERCENTAGE OF KOREA'S FOREIGN EXCHANGE RESERVES HELD
IN U.S. DOLLARS, AS A WAY OF MINIMIZING ADVERSE IMPACT OF
DOLLAR DECLINE. BETWEEN OCTOBER 31 AND DECEMBER 31, 1977,
KOREA DIVESTED ITSELF OF APPROXIMATELY \$140 MILLION, THUS
REDUCING DOLLAR SHARE OF RESERVES FROM 92 PERCENT TO 88 PERCENT.

2. IN CONVERSATION WITH EMBOFF ON MARCH 29, ASSISTANT FINANCE
MINISTER CHUNG IN-YONG INDICATED THAT DOLLAR SHARE WOULD
CONTINUE TO DECLINE OVER NEXT FEW MONTHS UNTIL IT IS REDUCED
TO ABOUT 80 PERCENT OF TOTAL FX RESERVES. THIS, HE SAID, WOULD
BRING STRUCTURE OF KOREA'S FOREIGN EXCHANGE RESERVES MORE IN
LINE WITH ITS PAYMENT LIABILITIES, SINCE A GROWING SHARE
OF PAYMENTS ARE BEING MADE IN CURRENCIES OTHER THAN U.S.
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DOLLARS.

3. COMMENT: GIVEN KOREA'S RAPID ACCUMULATION OF FX
RESERVES, THIS PROCESS WILL NOT NECESSARILY LEAD TO A
FURTHER NET DIVESTITURE OF DOLLARS OVER THE COURSE OF
1978. INDEED, ASSUMING THAT KOREA'S FX RESERVES CLIMB TO
\$5.0 BILLION (AS PROJECTED) BY YEAR'S END, AND THAT 80 PERCENT

OF THAT AMOUNT IS HELD IN DOLLARS, NEW EFFECT WILL BE AN
INCREASE IN KOREA'S DOLLAR RESERVES FROM \$3.8 BILLION
(ON DECEMBER 31, 1977) TO \$4.0 BILLION (ON DECEMBER 31,
1978).
SNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, DEVALUATIONS, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Errors: N/A
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Film Number: D780145-1158
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780494/aaaadcgt.tel
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ee1f7db6-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Review Release Event: n/a
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Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: DECLINING U.S. DOLLAR PROMPTS ROKG MEASURES
TAGS: EFIN, KS, US
To: STATE
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vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/ee1f7db6-c288-dd11-92da-001cc4696bcc
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